

AR1103

STATE OF ARKANSAS  
Election By Small Business Corporation

(As to taxable status under Act 55 of the 1st Extraordinary Session of the 68th General Assembly, as amended)

Name of Corporation ●	Employer Identification Number ●	Principal Business Activity		
Address ●		Election is to be effective for the taxable year beginning (Month/Day/Year) ●		
City, State and Zip Code ●		Number of Shares Issued & Outstanding		
Contact Person (List the name and telephone number of a person who can answer any questions concerning this Election).				
Name		Telephone Number		
Is the Corporation the outgrowth of any form of predecessor? (If "Yes," state name of predecessor)		<input type="checkbox"/> Yes <input type="checkbox"/> No		Date and Place of Incorporation
<b>If this election is effective for the first taxable year the corporation is in existence, submit the following information:</b>				
Date Corporation First Had Shareholders	Date Corporation First Had Assets	Date Corporation Began Doing Business		Annual Return Will Be Filed For Taxable Year Ending (Month)
Name and Address (including Zip Code) of Each Shareholder Attach Additional Schedules If Needed	Social Security Number or FEIN	STOCK		Internal Revenue Office Where Individual Return Is Filed
		# of Shares	Date Acquired	
1.				
2.				
3.				
4.				
<b>NOTE:</b> For this Election to be valid, the consent of each stockholder must accompany this form or be shown below.				
Under the penalties of perjury, I declare this Election is duly authorized, and that the statements made to the best of my knowledge and belief are true, correct and complete statements.				
Officer's Signature		Officer's Title		Date
<b>Shareholder's Statement of Consent (May be used in lieu of Attachments)</b>				
We, the undersigned shareholders, consent to the Election of the above Corporation to be treated as a Small Business Corporation under Act 55 of the First Extraordinary Session of the Sixty-Eighth General Assembly, as amended.				
1.				
2.				
3.				
4.				
SEE INSTRUCTIONS - IMPORTANT NOTES ON REVERSE SIDE				

Mail to: State Income Tax, P. O. Box 3628, Little Rock, AR 72203-3628

# AR1103

## PURPOSE

The Purpose of this election is to permit the undistributed taxable income of a "small business corporation" to be taxed to the shareholders rather than the corporation. The term "undistributed taxable income" means taxable income (as computed under the Income Tax Act of 1929 as amended) minus the sum of (1) the tax imposed on certain capital gains and (2) the amount of money distributed as dividends out of earnings and profits of the taxable year.

## INSTRUCTIONS

Subchapter S of the Federal Internal Revenue code of 1986, as amended, and in effect as of January 1, 1999 has been adopted under Arkansas income tax law, Act 1126 of 1999.

Qualifying corporations may elect to be treated as a "small business (S) corporation" for Arkansas income tax purposes. The election may be made only if the corporation meets all seven (7) of the following requirements:

- (1) It is treated as a Small Business Corporation with the Federal Government.
- (2) It has no more than seventy-five (75) shareholders: however, if stock is held by a husband and wife as joint tenants, tenants by the entirety, or tenants in common or is community property for the income from which is community income, it shall be treated as owned by one shareholder.
- (3) It has only individuals or estates as shareholders.
- (4) It has no shareholder who is a nonresident alien stockholder.
- (5) It has only one class of stock.
- (6) S Corporations are permitted to hold C & S Corporate Subsidiaries.
- (7) It is a corporation organized under the laws of the United States or a state or territory or it is a similar association taxed as a corporation.

If the corporation is the parent of one or more Qualified Subchapter S Subsidiaries (QSSS), the election must be accompanied by Federal Form 966 for each subsidiary that will be filing with the corporation.

### TO BE RECOGNIZED AS AN ARKANSAS S-CORPORATION

The following must be met:

1. Incorporate the business with the Arkansas Secretary of State. (501) 682-1010
2. File with the Internal Revenue Service an Election for Small Business Form (2553) and apply for a Federal Identification Number (SS-4). (1-800-829-3676)
3. File with the State of Arkansas an Election by Small Business Form (AR1103) (501) 682-7284.

For an election to be valid, all persons who are shareholders of the corporation on the first day of the corporation's taxable year or on the day of election, whichever is later, must consent to such an election. The Arkansas election form is AR1103.

The election is to be filed with the Department of Finance and Administration. Income Tax Section, P. O. Box 3628, Little Rock, Arkansas 72203-3628.

The election must be filed during the first seventy-five (75) days of the taxable year. It shall be effective for the taxable year for which it is made and for all succeeding taxable years unless it is terminated under provisions of the law.

This form must be signed either by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as

tax officer) who is authorized to sign.

At the option of shareholders on the date of the election, their signatures may be entered on the consent shown in the lower portion of the election Form AR1103 filed by the corporation in place of preparing and attaching the consents described below.

**IN GENERAL:** The consent to the election of the corporation by all shareholders at the date of election (which may be incorporated in one statement) shall be attached to this form unless otherwise shown on the face. In addition to an affirmative statement that the shareholder consents to the corporate election, the attached statement shall set forth the name and address of the corporation and of the shareholder, the number of shares of stock owned by the shareholder, and the date(s) on which such stock was acquired. The consent must be signed by both the husband and wife if they have a community interest in the stock or the income therefrom, and by each tenant in common, each joint tenant, and each tenant by the entirety. The consent of a minor shall be made by the minor or by his legal guardian, or his natural guardian if no legal guardian has been appointed (even if the case of stock held by a custodian for a minor under a statute patterned after the Uniform Gifts to Minors Act). The consent of an estate shall be made by the executor or administrator thereof. If the election is made before the first day of the corporation's taxable year, the consent of persons who became shareholders after the date of the election and on or before such first day shall be filed as soon as practicable after such first day but in no event later than the last day prescribed for filing the election and a copy shall also be filed with the corporation income tax return.

The annual income tax return of a small business corporation is to be submitted on Arkansas Form AR1100S.

A "Small Business" election and return permits the undistributed taxable income of the Small Business corporation to be taxed to the shareholders rather than the corporation. "Undistributed taxable income" means taxable income (as computed under the Income Tax Act of 1929 as amended) minus the sum of (1) the tax imposed on certain capital gains and (2) the amount of money distributed as dividends out of earnings and profits of the taxable year.

All non-resident shareholders of corporations receiving income in the form of distributions pursuant to the provisions of Act 51 of 1983 must file a properly executed Arkansas Income Tax return with the Director of the Department of Finance and Administration and remit the applicable Arkansas Income Tax upon the amount distributed.

Failure to so report and remit on the part of any shareholder shall be grounds upon which the Director shall be authorized to revoke the corporations Subchapter S election and collect the tax from the corporation by any manner authorized by the Arkansas Income Tax Act of 1929 (as amended).

## IMPORTANT NOTES

1. Complete this form in duplicate. Send two copies to the Department of Finance and Administration and it will be acknowledged as received and returned to you for proof of filing your election.
2. You may use additional sheets for a list of shareholders if necessary.